

Message Text

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ACTION IO-10

INFO OCT-01 EA-06 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGR-05

FEA-01 /100 W

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R 310500Z JUL 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9481

INFO USMISSION USUN

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 9312

EO 11652: GDS

TAGS: EGEN PFOR ID

SUBJ: NEW WORLD ECONOMIC ORDER

REF: JAKARTA 7766

1. SUMMARY: WE ARE STILL AWAITING OPPORTUNITY DISCUSS
FORMAL INDONESIAN POSITION ON NIEO WITH MINISTER SOEMITRO
WHOSE STUDY DUE TO PRESIDENT BEFORE AUGUST 17. MEAN-
WHILE OUR SOUNDINGS SUGGEST STRONG SUPPORT IN INDONESIA
FOR MYTHOLOGY OF NIEO AND SKEPTICISM AND SOME RESENTMENT
TOWARD OUR RECENT STATEMENTS ON SUBJECT. THIS MESSAGE
SUGGESTS POINTS TO EMPHASIZE IN FORMAL DISCUSSION OF
INDONESIAN POSITION AND PROPOSES, FOR DEPARTMENT'S
CONSIDERATION, POSSIBLE INITIATIVES WHICH MIGHT BE
ENCOURAGED AT 7TH SS. END SUMMARY

2. WE ARE STILL AWAITING FORMAL INDONESIAN POSITION
ON NIEO. MINISTER SUMITRO, ECONOMIST AND DEAN OF TECH-
NOCRATS, SPENDING VIRTUALLY FULL TIME IN PREPARING
REPORT FOR PRESIDENT ON SUBJECT, HAS PROMISED DISCUSS
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CONCLUSIONS WITH ME AFTER COMPLETION. INDEPENDENT OR

FORTHRIGHT POSITION DIFFERENT FROM OTHER THIRD WORLD COUNTRIES WOULD BE UNUSUAL FOR INDONESIA, BUT EXTENSIVE CONSIDERATION SUMITRO AND OTHER MINISTERS HAVE GIVEN PROBLEM SUGGEST POSSIBILITY SOME INDEPENDENCE OF VIEW-POINT. IN BRIEF DISCUSSION JULY 30 WITH MINISTER SUMITRO HE SAID HIS STUDY BASED ON VIEW THAT CONFRONTATION SHOULD BE AVOIDED, BUT THAT INDONESIA SHOULD NOT BE CLASSED AS "MODERATE."

3. WE HAVE MADE EXTENSIVE DISTRIBUTION OF RECENT SPEECHES AND STATEMENTS BY SECRETARY, PARSONS AND COOPER AND HAVE SUMMARIZED ALL RECENT US STATEMENTS FOR SUMITRO. GENERAL RANGE OF COMMENTS WE HAVE BEEN RECEIVING HERE, HOWEVER, DOES NOT ENCOURAGE US TO BELIEVE WE LIKELY HAVE MAJOR IMPACT ON INDONESIAN THINKING. WHAT WE KNOW OF SUMITRO'S OWN VIEWS SUGGEST HE LIKELY LEAN STRONGLY IN DIRECTION OF BASIC THRUST OF NIEO. INDONESIAN ATTITUDES WE MOST FREQUENTLY ENCOUNTER ARE:
A. WIDE ACCEPTANCE OF NEW MYTHOLOGY THAT SLOW RATE OF GROWTH OF LDCS IS DUE TO PAST EXPLOITATION BY DCs AND THAT TO AVERT WORLD CALAMITY DCs MUST REDISTRIBUTE WEALTH.

B. BELIEF THAT OPEC EXAMPLE DEMONSTRATES THAT CONCENTRATED POWER BY LDCs CAN BRING ABOUT SUCH RE-DISTRIBUTION.

C. RECOGNITION OF OUR PRACTICAL ARGUMENTS REGARDING DIFFICULTIES IN MAKING NIEO WORK, BUT LITTLE STOMACH FOR PLACING INDONESIA IN OPPOSITION TO CURRENT POPULAR THRUST. (INDONESIAN MINISTER OF AGRICULTURE LEFT WFC EARLY BECAUSE HE DIDN'T LIKE LDC ANTICS; HE DID NOT OPPOSE THEM).

D. FEELING OUR OFFICIAL STATEMENTS OPPOSE DESIRES OF LDCs FOR JUSTIFIED READJUSTMENT OF WORLD'S WEALTH AND ARE INTENDED PRESERVE STATUS QUO IN OUR FAVOR. THERE IS PROFOUND LACK OF CONFIDENCE IN OUR MOTIVES. "RESTRAINT" IS UNPOPULAR WORD; INDONESIA, THEY SAY, WOULD NOT BE INDEPENDENT IF THEY HAD USED "RESTRAINT."

E. STRONG REACTIONS TO REPORTS OF MULTINATIONAL CORPORATION PROFIT FIGURES, US PER CAPITA INCOME AND CONFIDENTIAL

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EVIDENCE OF WASTE OF OUR RESOURCES FROM OUR OWN PUBLICATIONS. THESE REPORTS PLUS REPORT OF MNC INTERFERENCE IN OTHER COUNTRIES HAVE CAUSED SERIOUS QUESTIONING, IN CERTAIN QUARTERS, ABOUT ACCEPTABILITY OF PRIVATE FOREIGN CAPITAL.

F. RESENTMENT TOWARDS OUR FREQUENT REFERENCES TO SHORTCOMINGS OF LDCs, OUR DENIAL OF VALIDITY OF COMMODITY AGREEMENT APPROACH AND CRITICISM OF LDC TACTICS. FEW

INDONESIANS PREPARED TO ADMIT FAULT LIES ENTIRELY WITH
LDCS. THEY ARE NOT SEEKING "CONCRETE AND CONSTRUCTIVE
PROPOSALS FOR ACTION" AS MUCH AS RHETORICAL ACCEPTANCE
OF THEIR PREMISES.

G. FEELING OUR PRIORITIES ARE WRONG: INVESTMENT
MEANS EXPLOITATION; FREE MARKET MEANS LOW PRICES FOR RAW
COMMODITIES, ETC.

H. STRONG FEELING THAT IBRD AND IMF ARE CONTROLLED
BY DCS AND ARE NOT APPROPRIATE INSTRUMENTS FOR NEW ECONOMIC
MEASURES.

I. SKEPTICISM RE OUR CLAIMS TO MAJOR ROLE IN ECONOMIC
ASSISTANCE (EVEN IN INDONESIA). OUR ACTUAL PERFORMANCE
OBSCURED BY AWARENESS THAT OUR ROLE REPRESENTS FAR LESS
THAN 1 PCT GNP GOAL AND LESS THAN GNP PERCENTAGE OF MANY OTHER
DCS.

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4. WHILE WE CANNOT ANTICIPATE WITH CERTAINTY POINTS MINISTER
SUMITRO WILL MAKE, I PROPOSE BE READY DRAW ON APPROPRIATE
MESSAGES AND TEXTS STRESSING, IN PARTICULAR, FOLLOWING POINTS:

A. IT IS NOT CORRECT TO ASSUME US OPPOSITION TO BASIC IMPULSES BEHIND PRESSURE FOR ECONOMIC REFORMS. SECRETARY KISSINGER IN BOTH KANSAS CITY AND MILWAUKEE STATED OUR UNDERSTANDING OF LDC CONCERNS AND OUR DESIRE TO BE RESPONSIVE.

B. US PROBLEM IS STRONG FEELING THAT APPROACH AS PUT FORWARD BY THIRD WORLD COUNTRIES WILL NOT ACHEIVE INTENDED GOALS. QUESTION, IN OUR VIEW, IS NOT ONE OF REDISTRIBUTION AS MUCH AS IT IS OF FINDING BETTER WAYS TO CREATE CONDITIONS FOR GROWTH IN LDCS.

C. NIEO STATEMENTS ARE SHORT ON OBLIGATIONS IMPOSED ON LDCS. ANY TRANSFER OF WEALTH UNLIKELY ACHIEVE OBJECTIVES IF LDCS ARE NOT PREPARED TO TAKE MEASURES TO CREATE APPROPRIATE CONDITIONS FOR GROWTH; IN TAXATION, IN RULE FOR INVESTMENT, IN ENCOURAGEMENT OF CONFIDENTIAL

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INITIATIVE AND ENTERPRISE.

D. INDONESIA AS COUNTRY WHICH HAS BENEFITED FROM TRANSFER OF WEALTH THROUGH COOPERATIVE INVESTMENT IS IN UNIQUE POSITION PLAY CONSTRUCTIVE ROLE AT 7TH SS BY RECOGNIZING THAT OBLIGATIONS WORK BOTH WAYS AND THAT CONFRONTATION NOT LIKELY LEAD TO CONSTRUCTIVE RESULTS FOR EITHER GROUP.

5. AS WE SEE PROBLEM FROM VANTAGE POINT OF INDONESIA IT IS TO FIND ACCEPTABLE MEANS OF ACKNOWLEDGING THAT LDCS HAVE SOME JUSTIFIED GRIEVANCES SO THAT IT IS POLITICALLY ACCEPTABLE FOR LESS RADICAL STAES TO MOVE TOWARD DISCISSION OF SPECIFIC ISSUES. IN SECRETARY'S SPPECHES WE HAVE ALREADY ACKNOWLEDGED OUR RECOGNITION OF ISSUE. PROBLEM HERE APPEARS ONE MORE OF TONE THAN SUBSTANCE. WE SUGGEST CONSIDERATION BE GIVEN TO ACCEPT AT 7TH SS OF FACT OF PAST INEQUITIES FOLLOWED BY SPECIFIC OFFER EITHER BY US OR OTHER COUNTRY TO MOVE TO NEGOTIATION ON ONE OR MORE ASPECTS. IF ANY OF FOLLOWING IDEAS HAVE MERIT, WE WOULD BE PREPARED DISCUSS WITH INDONESIANS, HAVING IN MIND POSSIBILITY THEY MIGHT EITHER SUGGEST OR ENDORSE SPECIFIC MEANS OF LESSENING CURRENT TREND TOWARD CONFRONTATION. IDEAS WHICH OCCUR TO US ARE:

A. INTRODUCTION BY GROUP OF MEDERATE LDCS (INCLUDING INDONESIA) OF STATEMENT OF PRINCIPLES OF INTERDEPENDENCE WHICH WOULD FORM BASIS OF EFFORT TO OBTAIN WIDE SUPPORT AND AVOID CONFRONTATION. SUCH STATEMENT COULD INCLUDE AGREED SET OF OBJECTIVES(STIMULATION OF GROWTH, ADWQUATE

FLOW OF RAW MATERIALS AND MANUFACTURED GOODS, DIVERSIFICATION OF LDC ECONOMIES, CONSERVATION OF WORLD RESOURCES, ETC); STATEMENT OF OBLIGATION OF DCS (RESPECT FOR SOVEREIGNTY, NON-INVOLVEMENT IN INTERNAL AFFAIRS, MAXIMUM EFFORT PRESERVE MARKETS AND INCOME FOR PRODUCTS LDCS, SHARING OF RESOURCES THROUGH AID, INVESTMENT); AND STATEMENT OF OBLIGATIONS OF LDCS (RESPONSIBILITY TO GENERAL WORLD ECONOMIC HEALTH, AGREEED RULES FOR INVESTORS, EFFECTIVE POLICIES TO MOBILIZE AND ALLOCATE OWN RESOURCES, ETC)

B. POSSIBILITY OF AVOIDING WIDE CONFRONTATION ON
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PRINCIPLES BY SINGLING OUT ONE ISSUE FOR CONCENTRATED NEGOTIATION OF AGREED PRINCIPLES, SUCH AS RULES FOR INVESTMENT IN LDCS. WE CONTINUE BELIEVE HERE THAT OUR STRESS ON PROBLEMS OF NATIONALIZATION OBSCURES ACTUAL FLEXIBILITY AND ADAPTABILITY OF AMERICAN ENTERPRISE IN DEVELOPING WORLD. WE BELIEVE IT SHOULD BE POSSIBLE TO FIND FORMULA WHICH WOULD RECOGNIZE RESPECTIVE OBLIGATIONS OF HOST COUNTRY AND INVESTORS.

C. IN CONSIDERING TRANSFER OF WEALTH AND GROWTH CAPACITY TO DEVELOPING COUNTRIES, COULD WE PROPOSE US READINESS TO INCREASE FLOW OF US SCIENTIFIC AND TECHNICAL KNOWLEDGE, INCLUDING PATENTS, TO DEVELOPING COUNTRIES THROUGH NEW OR EXISTING MECHANISM? IN MANY WAYS SCIENCE AND TECHNOLOGY HAVE BEEN AMONG OUR GREATEST CONTRIBUTIONS TO LDCS BUT WE CURRENTLY LACK EFFECTIVE MECHANISMS FOR TRANSFER OUTSIDE OF OFFICIAL ASSISTANCE PROGRAMS.

6. FOREGOING SUPPLEMENTS OTHER SUGGESTIONS FORWARDED BY EMBASSY IN JAKARTA'S 7766. NEWSOM

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